

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7162

BILL NUMBER: HB 1866

NOTE PREPARED: Jan 28, 2003

BILL AMENDED:

SUBJECT: Drug Testing of TANF Applicants and Recipients.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

X

IMPACT: State

Summary of Legislation: This bill requires the Division of Family and Children to require drug abuse testing for applicants and recipients of the federal Temporary Assistance for Needy Families (TANF) program. It exempts individuals 65 years of age or older from drug abuse testing and establishes a procedure for retesting to protect from false positive tests. The bill requires a TANF applicant or recipient who tests positive to agree to participate in a drug abuse assessment and required drug abuse treatment plan.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* This bill is estimated to require \$6.3 M for the required testing of all TANF applicants and 40% of the annual TANF recipients. Mandatory drug testing is not considered to be medically necessary for Medicaid reimbursement purposes. Consequently, this expense would be considered to be an administrative expense of the TANF program. An additional \$33.6 M is estimated to be required for the assessment and treatment provisions of the bill. Some portion of the assessment and treatment cost that would be attributable to TANF recipients, who are also eligible for Medicaid, would be Medicaid reimbursable. If all persons that receive assessment and treatment were Medicaid eligible, the state share of the expense would be about \$12.8 M.

Background: This bill would require drug testing of 20% of TANF recipients each six months, as well as all applicants for TANF funds. A person testing positive would receive drug abuse assessment and treatment. A urinalysis test would be used, unless there was a positive result, and then a more specific test would be required to confirm the results. A recipient who refused to submit to drug testing would receive reduced benefits for four months and then be denied benefits after that time.

The bill is similar to a Michigan law which resulted in a six-week pilot program. The pilot was interrupted by intervening legal action. The law has since been ruled constitutional by the Sixth Circuit Court of Appeals, although opponents have requested an additional review. During the pilot, 435 people were tested

and 45 (10%) tested positive. Thirty-eight (84%) of the tests were positive for marijuana.

Michigan used an existing contract for drug testing state employees to test TANF recipients and applicants. Assessment and treatment services were provided by the Michigan Department of Community Health with \$2M in TANF funds set aside for these services. In updated projections for FY 2003, Michigan estimates that 56,250 TANF applicants and 15,940 TANF recipients would be tested and that 14,438 would receive assessment and treatment with total costs of \$35.0 M.

The average monthly number of Indiana TANF recipients was 97,091 for CY 2000, 108,382 for CY 2001, and 138,187 through October 2002. Assuming that the average caseload remains at the 2002 level, Indiana would test 27,637 recipients each six months, or a total of 55,275 recipients tested annually. There are no data to indicate how many people apply for TANF assistance each year, but assuming an applicant-to-recipient ratio similar to Michigan's, Indiana would test 97,315 applicants. If the test cost is similar to the Michigan cost of \$41.50, Indiana would test approximately 152,600 individuals with a total estimated cost of \$6.3 M. If 10% of the people tested require assessment and treatment, and costs are similar to Michigan, it is estimated that Indiana would spend \$33.6 M for assessment and treatment. Some portion of the assessment and treatment cost that would be attributable to TANF recipients (also eligible for Medicaid) would be Medicaid reimbursable. If all persons that receive assessment and treatment were Medicaid eligible, the state share of the expense would be about \$12.8 M.

The Michigan program has allocated some TANF funding for program costs. The Office of Medicaid Policy and Planning reports that routine drug screening would not meet the Medicaid definition of medical necessity and would not be eligible for Medicaid reimbursement. Indiana Medicaid provides outpatient counseling services; with the exception of inpatient detoxification, no inpatient drug abuse treatment is reimbursed. This bill would require funds to be allocated from the TANF program to provide funding for costs of drug screening and potentially drug treatment services for applicants who do not subsequently qualify for the TANF program.

Expenditures in the Medicaid program are shared, with approximately 62% of the program expenditures reimbursed by the federal government and 38% provided by the state.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Maureen Sorbet, Deputy Director, Michigan Family Independence Agency Communications Office, (517)373-7394; "Substance Abuse Testing Pilot Program, A Report to the Michigan Legislature", Prepared by the Michigan Family Independence Agency, November 2002; Susan Kilty, Legislative Liaison for the Division of Family and Children, (317)-232-4451.

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